

CalSTRS Medicare Benefits
Program

February 16, 2001




CalSTRS Medicare Benefits Program Overview

Presented By:
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February 2001




California
STRS
State Teachers' Retirement System



History – Social Security (1935)

- Old-Age Survivors and Disability Insurance (OASDI) program also known as Social Security, was established
 - ❖ Originally a modest retirement plan for employees of private industry
 - ❖ Employees of state and local governments were excluded from coverage



California
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State Teachers' Retirement System



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History – Social Security (1955)

- California Teachers Association conducted an one-time election for certificated school employees
- Teachers rejected Social Security coverage on full-time service by a 4 to 1 margin



History – Medicare (1965)

- Established as a part of the Social Security System.
 - ❖ **Part A Covers:**
 - ✓ A portion of the costs of hospitalization
 - ✓ Limited nursing-home care
 - ✓ Benefits for skilled nursing facility care
 - ✓ Home health services and hospice care
 - ❖ **Part B Covers:**
 - ✓ Doctors' fees
 - ✓ Most outpatient hospital services
 - ✓ Certain related services
 - ✓ No prescription coverage
- Not mandated on non-Social Security Systems, such as, CalSTRS



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History – Medicare (1985)

Medicare Changes

- Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)
 - ❖ Requires all public employees hired on or after April 1, 1986 to participate in Medicare
 - ❖ Workers employed prior to April 1, 1986 allowed to elect Medicare coverage, under specified conditions



History – Medicare (1986)

- Prior to April 1, 1986, CalSTRS members did not participate in the Medicare Program
- They do not qualify for premium-free Medicare Part A coverage because:
 - ❖ Did not work 40 quarters under Social Security covered-employment; or
 - ❖ Did not qualify under a spouse's employment; or
 - ❖ Did not pay Medicare taxes during the course of their working years.



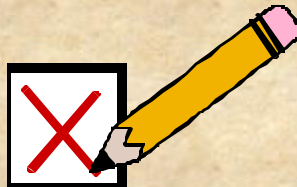
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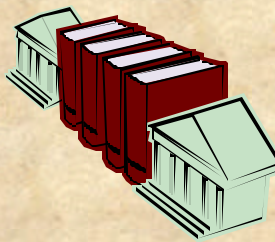
History – Medicare (1989) AB 265 (Elder)

- Chapter 1006, Statutes of 1989
 - ❖ Allowed public school district to hold elections for Medicare coverage
 - ❖ About 300 school districts have not held the Medicare election today



History – Medicare (1997) Balanced Budget Act

- Balanced Budget Act of 1997, Public Law 105-33
 - ❖ Provides for premium-free Medicare Part A if you pay the Part A premium for seven years in a row
 - ❖ Established Medicare + Choice plans



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History – Social Security

Eligibility

- Individual credits on the basis of annual earnings (up to four credits in any year)
- 40 credits needed to qualify for retirement benefits (about 10 years of work)



Example for 2001

- \$830 in earnings = 1 credit (1 quarter)
- \$3320 in earnings = to get the maximum 4 credits (4 quarters) for the year



What is Medicare

- A Federal Health Insurance Program for:
 - ❖ People 65 years of age and older
 - ✓ Some people with disabilities, under 65 years of age.
 - ❖ People with End-Stage Renal Disease (permanent kidney failure and requires regular dialysis or transplant to stay alive)
- Has Two Parts:
 - ❖ **Part A (Hospital Insurance)**
 - ✓ Most people do not have to pay for Part A.
 - ❖ **Part B (Medical Insurance)**
 - ✓ Most people pay monthly for Part B.



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Who is Eligible for Medicare coverage

**United States citizen
(or a legal alien with
permanent residence)
who is at least 65
years old and a
resident of the United
States**



How Do You Earn Premium-Free Medicare



- Most private and public sector employees and employers pay a Medicare payroll tax equal to 1.45 percent of salary



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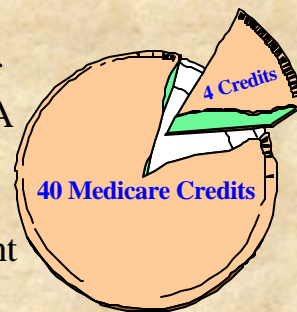
How Do You Earn Premium-Free Medicare (continued)

- CalSTRS members hired before April 1, 1986 who elected Medicare coverage in an election held by their employer are required to pay the payroll tax.
- CalSTRS members hired by their current employer after April 1, 1986 are required to pay the Medicare payroll tax.
- Members can also qualify for Medicare coverage from other employment they may have performed or because their spouse is covered.




How Do You Earn Premium-Free Medicare (continued)

- CalSTRS' Members can earn up to four Medicare "credits" for each year they pay the Medicare payroll tax
- Generally, you are eligible for Premium-free Medicare Part A if you or your spouse worked for at least 10 years in Medicare-covered employment




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CalSTRS Medicare Benefits Program (MBP)


- Participation is voluntary
- Members must decide what is best for their own situation
- Some retired members may choose not to participate in the MBP and retain their current arrangements for health care coverage
- This benefit does not include other family members








Who Is Eligible



Eligible

Defined Benefit Members Who


- Are not eligible for premium-free Medicare Part A
- Retired prior to January 1, 2001
- Are at least 65 years of age






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Who Is Eligible (Continued)



Defined Benefit Members Who



- Have enrolled in Medicare Parts A and B at age 65 or as of July 1, 2001, whichever is later

Note: Retired members over age 65 must enroll by March 31, 2001 if they want CalSTRS to pay their Medicare Part A premiums



How Do Members Participate in the MBP

- Enroll in Medicare Parts A and B through the Social Security Administration during their enrollment period
- Complete and return the CalSTRS Medicare Authorization form
- Retired members are responsible for paying the Medicare Part B premium by either:
 - ❖ Having the Medicare Part B premium deducted from their CalSTRS retirement allowance beginning June 2001, or
 - ❖ Having Medicare bill them directly



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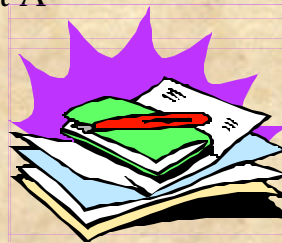
CalSTRS Medicare
Authorization Form

- **Does not** enroll members into the federal Medicare program
- **Required** in order for CalSTRS to pay the member's Part A premiums
- **Required** to deduct the Part B premium from their retirement allowance
- **Must** be return at least eight weeks before Medicare coverage begins



Medicare Part B Premium
will not be paid by MBP

- Medicare Part B monthly premium for 2001 is \$50
- Federal regulations require retired members to enroll in Medicare Part B to receive Part A coverage if they are not eligible for premium-free Medicare Part A



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Medicare Part B Premium
will not be paid by MBP

- If a surcharge/penalty is assessed for late enrollment in Part B, MBP will pay those penalties only if the member's Part B Premium is deducted from their retirement allowance and sent directly to the Health Care Finance Administration (HCFA) by CalSTRS beginning June 2001



CalSTRS will not Pay Medicare Part A
Premiums before July 1, 2001

- Depending on the member's birthday and when they enroll, they may have to pay some Part A premiums themselves before July 1, 2001



Example:

Frank enrolls in Medicare Parts A & B during December, two months after he turned 65, therefore his coverage will begin in March 2001, five months after the month he turned 65. Frank will be responsible for making Medicare payments for four months (March 2001 through June 2001). CalSTRS will begin making Medicare Part A premium payments July 1, 2001



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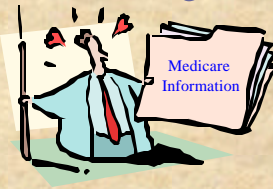
Missed payments and Loss of Coverage

- Member who chooses to make the Medicare Part B payments directly to HCFA and miss three monthly payments in a row, HCFA will cancel both Medicare Parts A and B coverage
- The member will have to wait until the next General Enrollment Period (January through March each year) to re-enroll in Medicare and will have no coverage until July of that year



What about those members who retire on or after January 1, 2001

- The TRB will determine during the 2nd quarter of 2001 whether to extend this program's coverage
- Information regarding extending the coverage to members whom retires in 2001 or later will be provided in the CalSTRS *Bulletin* and on the CalSTRS web site at www.calstrs.ca.gov
- If the coverage is extended, an information packet will be sent to all members who will be affected



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Eligibility for those who retired on or after January 1, 2001

- Not eligible for premium-free Medicare Part A
- Are at least 65 years of age
- Enrolled in Medicare Parts A & B, at the age of 65, and
- Retired from a school district that either:
 - ❖ Has completed a division to permit CalSTRS active members hired prior to April 1, 1986 to be covered by Medicare prior to January 1, 2001; or
 - ❖ Has completed or is conducting the division on or after January 1, 2001
 - ✓ If the member was less than 58 years of age at the time of the division, the member elected to be covered by Medicare



What is the Medicare Division/Election

- Federal law permits a school district, with respect to employees hired before April 1, 1986, to divide into members who desire to be covered by Medicare and those who do not desire such coverage
- During the division, members make an irrevocable choice whether or not to participate in Medicare and subject themselves and their employer to the payroll tax to earn Medicare credits



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How does a School Conduct a Medicare Division/Election

- The school district must adopt a resolution and return it with a completed questionnaire to the CalPERS Teachers' Medicare Services before June 30, 2004 in order to start the process, (916) 326-3993
- The division process takes about 12 to 18 months
- After June 30, 2004, Chapter 965, Statutes of 1998 (Assembly Bill 1022,) will revert to the former language that will prevent school districts from contracting independently for Medicare coverage



How can the member find out if their District has completed the Medicare Division/Election

- If the member was hired by the school district before April 1, 1986, they were not required to pay the 1.45% Medicare payroll tax
- The member can call the district they were last employed when they retired and ask if they held the division



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How do members determine if they are eligible
for Premium-free Medicare Part A coverage

- Check their Social Security annual statement, sent about three months before their 65th birthday
 - ❖ The retired member should look at the Medicare portion of page two in the "Your Estimated Benefits" section to see if it states "you have enough credits to qualify for Medicare"




How do members determine if they are eligible
for Premium-free Medicare Part A coverage
(continued)

- Call Social Security Administration at (800) 772-1213 then take option 5 and 0
- If receiving a Social Security pension, automatically enrolled in premium-free Part A at age 65




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How Do Members Enroll in Medicare






- Call (1-800-772-1213) or visit a local Social Security Office during their enrollment period to make an appointment to start the enrollment process
 - ❖ Members should not attempt to make this appointment before their enrollment period begins





How Do Members Enroll in Medicare (continued)

- The enrollment interview can be conducted via telephone or in person by a Social Security customer service representative
- A computer-generated form will be completed, and a copy of it will be mailed to the retired member to confirm details, if the interview is completed via telephone



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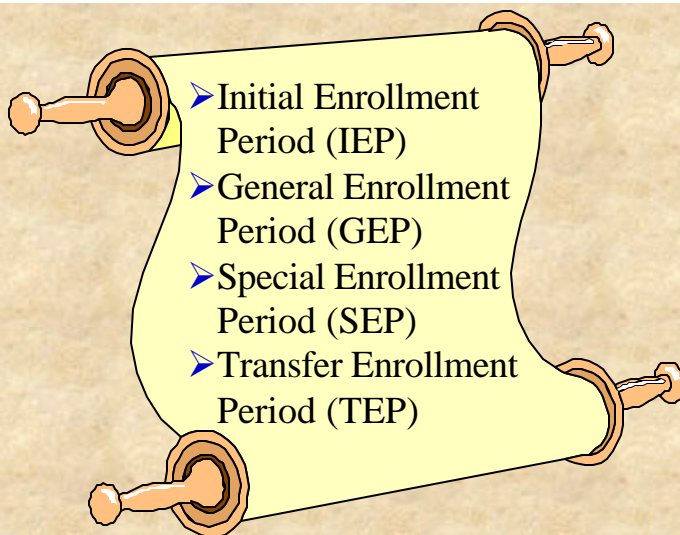
How Do Members Enroll in Medicare (continued)

- Before the enrollment process is completed, additional telephone interviews and the mailing of proof of age, citizenship and residency documents between the retired member and Social Security may be necessary
- Once the retired member enrolls, a Medicare handbook will be sent to them by Medicare



Federal Medicare Program Enrollment Periods

- Initial Enrollment Period (IEP)
- General Enrollment Period (GEP)
- Special Enrollment Period (SEP)
- Transfer Enrollment Period (TEP)



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Initial Enrollment Period (IEP)

- A 7-month period that begins three months prior to the month an individual turns age 65
- Ends the third month after the month the individual turns age 65



Example:

John turns 65 in October 2000. His IEP begins in July 2000 and ends in January 2001. The month John enrolls in Medicare dictates when his coverage will begin



Initial Enrollment Period (continued)



When Medicare coverage begins :

Coverage will begin based on how close to the members 65th birthday they enroll. The Social Security customer service representative can confirm when the coverage starts during the enrollment interview

If enrollment occurs :

3 months before age 65
Age 65 month
The month after age 65
2 months after age 65
3 months after age 65


Parts A/B coverage begins:

The month age 65 is attainment
The month after age 65
2 months after age 65
5 months after age 65
6 months after age 65




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Initial Enrollment Period (continued)




Example:


John enrolls in Medicare Parts A & B during November, the month after he turned 65, therefore his coverage will begin in December 2000, two months after the month he turned 65. John will be responsible for making Medicare payments for seven months (December 2000 through June 2001). CalSTRS will begin making Medicare Part A premium payments July 1, 2001



Initial Enrollment Period (continued)



- The IEP takes precedence over all other enrollment periods. That is, if the IEP overlaps any other enrollment period, the enrollment will be processed as an IEP enrollment
- If the members IEP happens to end during the General Enrollment Period (GEP), they may continue to enroll during the remaining months of the GEP
- If the member enrolls during the GEP, their coverage will begin the following July
- If the member does not enroll during their IEP, they may have to wait until the next General Enrollment Period



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General Enrollment Period (GEP)

- The GEP is for individuals who:
 - ❖ Did not enroll in Part B or premium Part A during their IEP
 - ❖ Had previously enrolled in Part B/Part A and whose coverage was subsequently terminated
 - ❖ The GEP occurs January 1st through March 31st of each year



General Enrollment Period (continued)

When Medicare coverage begins:

If an individual enrolls during a GEP, coverage is effective on July 1st of the year of enrollment

Example:

Jim, age 67, enrolls in Medicare Parts A and B during the GEP in March 2001, his coverage for Parts A and B begins on July 1, 2001

Premium Surcharges assessed by Medicare

CalSTRS will pay any applicable surcharges for Parts A and B for members who:

- ❖ Retired before January 1, 2001, and
- ❖ Are over age 65 on July 1, 2001



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About the CalSTRS Medicare Authorization Form

- The *CalSTRS Medicare Authorization* form **does not** enroll the member in the federal Medicare program, but is required for the member to have CalSTRS pay the Part A premiums
- Without this signed form, CalSTRS cannot pay for the members Part A premiums or deduct the Part B premium from their retirement allowance
 - ❖ The member must return the form at least eight weeks before your Medicare coverage begins




Members Must Remember

- If Medicare Part A and Part B coverage begins prior to July 2001, it will take approximately eight weeks after the form is received by CalSTRS before the deductions can begin
- Members should continue paying premiums until the Medicare Part B deduction for \$50 appears on their monthly CalSTRS warrant stub or receive the group billing arrangement notice form Medicare that the bills will be sent to CalSTRS

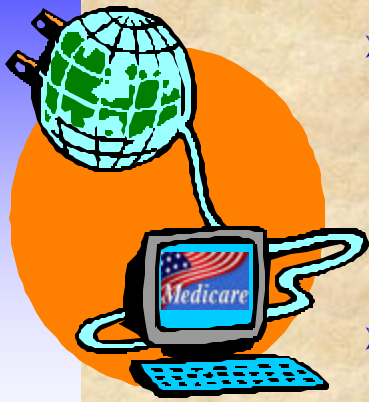


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For More Information




- CalSTRS would always like to be able to answer any member's questions. However, we must defer questions regarding Medicare enrollment to the Social Security Administration, which handles Medicare enrollment
- Medicare maintains a web site at www.Medicare.gov







For More Information (continued)




- Call 800-772-1213 to enroll in Medicare, the customer service representative will be able to answer the members questions
- General Medicare information is available from Medicare at 800-633-4227 or www.Medicare.gov
- Additional resources can be accessed from the
 - ❖ California Department of Aging, California Health Insurance Counseling and Advocacy Program, 800-434-0222


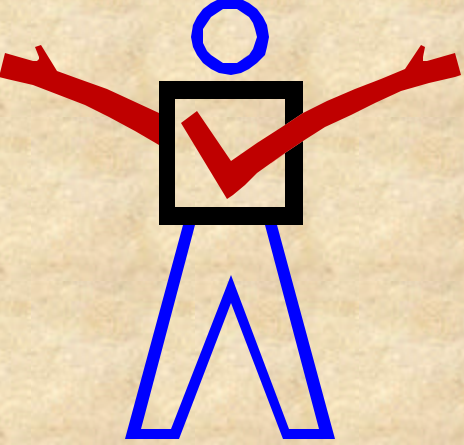


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Additional Information on Enrollment Periods



Special Enrollment Period (SEP)

- Individuals who have been covered under a group health plan (GHP) based on their own or a spouse's current employment since age 65 may delay enrollment in Part A or Part B
- These individuals may enroll during the SEP
- CalSTRS will pay the Part A premium for members who wait and enroll during their SEP if they retired before January 1, 2001



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Special Enrollment Period (continued)

- If coverage is extended to members who retire on or after January 1, 2001, they may wait and enroll during their SEP if covered under a group health plan as long as they meet the CalSTRS MBP requirements

When enrollment may occur

- The individual may enroll during:
 - ❖ Any month that he or she is covered under the GHP while he or she is working or the spouse is working, or
 - ❖ The 8-month period that begins the first full month the GHP coverage ends or the employment ends, whichever occurs first.



Special Enrollment Period (continued)

When coverage begins :

- If enrollment occurs while the individual is covered under the GHP based on current employment or during the first full month that he or she is no longer covered under the GHP, based on current employment, Part B/Part A coverage begins:
 - ❖ The first day of the month of enrollment, or
 - ❖ At the individual's option, the first day of any of the following three months
- If enrollment occurs during the 7 remaining month of the SEP, Part B/Part A coverage begins the first day of the month after the month of enrollment



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Transfer Enrollment Period (TEP)

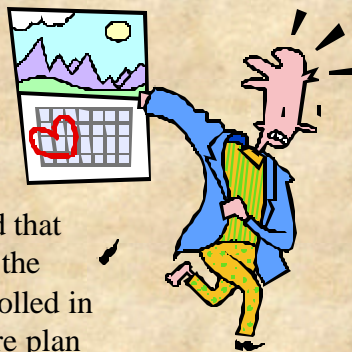
- Members who are covered under a Medicare managed care plan and are not eligible for premium-free Medicare Part A may be eligible to enroll in Part A during the transfer enrollment period if they:
 - ❖ They turn 65 or older,
 - ❖ Are enrolled in Part B only, and
 - ❖ Whose coverage under the Medicare managed care plan is terminated for any reason



Transfer Enrollment Period (continued)

When enrollment may occur

- The individual may enroll:
 - ❖ During any month that he or she is enrolled in the Medicare managed care plan, or
 - ❖ During the 8-month period that begins the first full month the individual is no longer enrolled in the Medicare managed care plan



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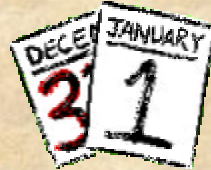
Transfer Enrollment Period (continued)

When Medicare coverage begins :

- If enrollment occurs while the individual is enrolled in the Medicare managed care plan or during the first full month that he or she is no longer enrolled in the plan, Part A coverage begins:

- ❖ The first day of the month of enrollment, or
- ❖ At the individual's option, the first day of any of the following three months

- If enrollment occurs during the 7 remaining months of the TEP, Part A coverage begins the first day of the month after the month of enrollment



Questions and Answers

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